

Business Impact of the 2024 Elections in Mexico

On June 2nd, Mexico held important elections that have generated considerable interest in the business sector, both nationally and internationally. We offer a clear and objective view of the results and their potential impact on the business sector and foreign companies looking to establish themselves in the country.

Claudia Sheinbaum, candidate of the National Regeneration Movement (Morena) party, won the elections by a wide margin, with 59% of the votes, and has been a prominent figure in Mexican politics. Before running for office, Sheinbaum was the Head of Government of Mexico City, where she implemented several initiatives focused on sustainability and social equality. Sheinbaum holds a Bachelor's degree in Physics and a Master's and Doctorate in Energy Engineering. She primarily has a leftist ideology and nationalist tendencies in her rhetoric, but she is pragmatic towards the private sector. Morena, founded by the current president Andrés Manuel López Obrador, has been characterized by its leftist policies and focus on social justice and the fight against corruption.

Impact on Legal and Business Matters

- **Regulation and Compliance:** An increase in business regulation is anticipated, with a particular focus on compliance with labor and environmental regulations. During her tenure as Head of Government, Sheinbaum introduced strict measures to reduce pollution in Mexico City, which could indicate a similar approach at the national level.

- **Transparency and Anti-Corruption Policies:** The emphasis on transparency and the fight against corruption will continue, which could translate into more audits and controls for businesses. For example, during her local administration, digital platforms were implemented to make public contracts more transparent, a practice that could be extended nationally.
- **Changes in Fiscal Legislation:** It is likely that fiscal policies will be reviewed and adjusted, possibly with new measures aimed at increasing tax revenue. The current government has indicated its intention to close tax gaps and ensure that large corporations pay taxes fairly.
- **Changes in Labor Legislation:** The new government has proposed significant reforms aimed at improving working conditions and protecting workers' rights. Among the most notable proposals are increased regulation of temporary and project-based contracts, raises in the minimum wage, doubling the end-of-year bonus to 30 days' salary, reducing the workweek from 48 hours to 40 hours, among others.

Opportunities and Challenges for Foreign Companies

Opportunities

- **Investment Incentives:** It is expected that the Sheinbaum government will maintain or even expand incentives for foreign investment in strategic sectors such as renewable energy and technology. Mexico has recently launched initiatives like the "Clean Energy" program to attract foreign investment in solar and wind energy projects.
- **Infrastructure and Development:** The administration could prioritize infrastructure projects aimed at improving logistics and transportation conditions, thereby facilitating business operations. An example is the Tren Maya project, which aims to develop Mexico's southeast region and enhance regional connectivity.

- **Growing Market:** Mexico remains an attractive market with a young and growing population, offering significant potential for business expansion. The Mexican population has a median age of approximately 29 years, representing a dynamic workforce and an expanding consumer market.

Challenges

- **Regulatory Stability:** Frequent changes in regulations can create uncertainty, making long-term planning difficult. The current administration has made significant modifications in sectors such as energy, impacting companies like Iberdrola and other multinationals.
- **Political Environment:** The rhetoric and policies of Morena could raise concerns among foreign companies, especially those in sectors like energy and mining. The cancellation of the Texcoco airport project in 2018 is an example of decisions that have affected investor perceptions of stability.
- **Local Competition:** As the government promotes national companies, foreign companies could face more intense competition and stricter regulations. López Obrador's "Primero los Pobres" (First the Poor) policy, which aims to favor local businesses and cooperatives, could imply a more competitive environment for multinational corporations.
- **Post-Election Peso Depreciation:** The peso depreciated in the days following the elections, which increases the cost of imports but makes export prices more competitive.

Claudia Sheinbaum's victory and the strengthening of Morena represent continuity in several policies of the current government, with potential adjustments in regulations and policies that can influence the business environment. It is crucial for foreign companies to be informed and prepared to adapt to these changes and maximize their opportunities in Mexico.



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